

# Select Committee on Pension Policy

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**August 19, 2003**

9 AM - 12:30 PM

Senate Hearing Room 4  
Olympia

## DRAFT AGENDA

- 9:00 AM **(1) Introduction of Members and Staff**
- 9:15 AM **(2) Election of Officers** (*Action*)  
(Chair, Vice Chair, Executive Committee Members)
- 9:25 AM **(3) Adoption of the Day's Agenda** (*Action*)
- 9:30 AM **(4) Role of the SCPP** (*Information*)  
(A) **Review of Chapter 295 (SHB 1204)** – Bob Baker, Senior Research Analyst  
(B) **Open Public Meetings Act** – Jean Wilkinson, Assistant Attorney General  
(C) **Ethics Law** – Jean Wilkinson, Assistant Attorney General
- 10:30 AM **(5) Adoption of Rules of Procedure** (*Action*)  
Matt Smith, State Actuary
- 11:30 AM **(6) Session Update** (*Information*)  
Bob Baker, Senior Research Analyst
- 11:45 AM **(7) Possible Interim Issues** (*Information/Discussion*)  
(A) **Issues Suggested to JCPP** – Bob Baker, Senior Research Analyst  
(B) **Issues Suggested by Others**
- 12:15 PM **(8) Meeting Schedule** (*Discussion*)
- 12:30 PM **(9) Adjourn**

### An Executive Committee meeting may follow

Persons with disabilities needing auxiliary aids or services for purposes of attending or participating in Select Committee on Pension Policy meetings should call (360) 753-9144. TDD 1-800-635-9993

# Select Committee on Pension Policy - 2003

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## **OFFICE OF THE STATE ACTUARY**

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# Election of Officers

## **The committee shall elect a chairperson and a vice-chairperson:**

- The chair shall be a member of the senate in even-numbered years and a member of the house of representatives in odd-numbered years
- The vice-chair shall be a member of the house of representatives in even-numbered years and a member of the senate in odd-numbered years

## **The committee shall establish an executive committee of five members:**

- Chair
- Vice-chair
- Active member representative
- Employer representative
- The director of the department of retirement systems or the office of financial management serving in alternate years

# Review of Ch. 295, Laws of 03

- Members**
- 4 Senate members<sup>1</sup>
  - 4 House members<sup>2</sup>
  - 4 Active members or representatives
  - 2 Retirees or representatives
  - 4 Employer representatives
  - Directors of DRS & OFM
- 

**Organization**     **Chair:**  
Senate member in even numbered years, House member in odd numbered years

**Vice Chair:**  
House member in even numbered years, Senate member in odd numbered years

- Executive Committee:**
- Chair
  - Vice-Chair
  - Active member representative
  - Employer representative
  - Director of DRS or OFM serving in alternate years

- Possible Subcommittees:**
- Public Safety
  - Education
  - State and Local Government
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- Duties**
- Study pension issues and develop pension policies
  - Study financial conditions of state pension systems and develop funding policies
  - Make recommendations to the legislature
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**Other**     **State Actuary Appointment Committee:**  
Appoint or remove state actuary. Approve OSA staff salaries fixed by the state actuary.

- The committee shall consist of:
- Chair and ranking minority member of House Appropriations Committee
  - Chair and ranking minority member of Senate Ways and Means Committee
  - 4 members of the SCPP appointed by chair and vice-chair - at least 1 active or retiree representative, and 1 employer representative

Pension Funding Council solicits and administers biennial actuarial audit and shall submit the results to the SCPP for study and recommendations.

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**Staff**     Office of the State Actuary

<sup>1</sup> Three must be from the Ways and Means Committee

<sup>2</sup> Three must be from the Appropriations Committee

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 1204**

Chapter 295, Laws of 2003

58th Legislature  
2003 Regular Session

SELECT COMMITTEE ON PENSION POLICY

EFFECTIVE DATE: 7/27/03

Passed by the House April 26, 2003  
Yeas 79 Nays 18

FRANK CHOPP

**Speaker of the House of Representatives**

Passed by the Senate April 25, 2003  
Yeas 48 Nays 0

BRAD OWEN

**President of the Senate**

Approved May 14, 2003.

GARY LOCKE

**Governor of the State of Washington**

CERTIFICATE

I, Cynthia Zehnder, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1204** as passed by the House of Representatives and the Senate on the dates hereon set forth.

CYNTHIA ZEHNDER

**Chief Clerk**

FILED

May 14, 2003 - 3:25 p.m.

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 1204**

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AS AMENDED BY THE SENATE

Passed Legislature - 2003 Regular Session

**State of Washington**

**58th Legislature**

**2003 Regular Session**

**By** House Committee on Appropriations (originally sponsored by Representatives Fromhold, Delvin, Conway, Alexander, Pflug, Anderson, Cooper and Chase; by request of Joint Committee on Pension Policy)

READ FIRST TIME 03/04/03.

1       AN ACT Relating to creating the select committee on pension policy;  
2   amending RCW 41.50.110, 44.44.040, 41.40.037, 41.45.020, 41.45.090,  
3   41.45.110, 44.04.260, and 44.44.030; reenacting and amending RCW  
4   41.32.570; adding new sections to chapter 41.04 RCW; creating a new  
5   section; decodifying RCW 41.54.061; and repealing RCW 44.44.015,  
6   44.44.050, and 44.44.060.

7   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8       NEW SECTION.   **Sec. 1.** A new section is added to chapter 41.04 RCW  
9   to read as follows:

10       (1) The select committee on pension policy is created. The select  
11   committee consists of:

12       (a) Four members of the senate appointed by the president of the  
13   senate, two of whom are members of the majority party and two of whom  
14   are members of the minority party. At least three of the appointees  
15   shall be members of the senate ways and means committee;

16       (b) Four members of the house of representatives appointed by the  
17   speaker, two of whom are members of the majority party and two of whom  
18   are members of the minority party. At least three of the appointees

1 shall be members of the house of representatives appropriations  
2 committee;

3 (c) Four active members or representatives from organizations of  
4 active members of the state retirement systems appointed by the  
5 governor for staggered three-year terms, with no more than two  
6 appointees representing any one employee retirement system;

7 (d) Two retired members or representatives of retired members'  
8 organizations of the state retirement systems appointed by the governor  
9 for staggered three-year terms, with no two members from the same  
10 system;

11 (e) Four employer representatives of members of the state  
12 retirement systems appointed by the governor for staggered three-year  
13 terms; and

14 (f) The directors of the department of retirement systems and  
15 office of financial management.

16 (2)(a) The term of office of each member of the house of  
17 representatives or senate serving on the committee runs from the close  
18 of the session in which he or she is appointed until the close of the  
19 next regular session held in an odd-numbered year. If a successor is  
20 not appointed during a session, the member's term continues until the  
21 member is reappointed or a successor is appointed. The term of office  
22 for a committee member who is a member of the house of representatives  
23 or the senate who does not continue as a member of the senate or house  
24 of representatives ceases upon the convening of the next session of the  
25 legislature during the odd-numbered year following the member's  
26 appointment, or upon the member's resignation, whichever is earlier.  
27 All vacancies of positions held by members of the legislature must be  
28 filled from the same political party and from the same house as the  
29 member whose seat was vacated.

30 (b) Following the terms of members and representatives appointed  
31 under subsection (1)(d) of this section, the retiree positions shall be  
32 rotated to ensure that each system has an opportunity to have a retiree  
33 representative on the committee.

34 (3) The committee shall elect a chairperson and a vice-chairperson.  
35 The chairperson shall be a member of the senate in even-numbered years  
36 and a member of the house of representatives in odd-numbered years and  
37 the vice-chairperson shall be a member of the house of representatives



1 in even-numbered years and a member of the senate in odd-numbered  
2 years.

3 (4) The committee shall establish an executive committee of five  
4 members, including the chairperson, the vice-chairperson, one member  
5 from subsection (1)(c) of this section, one member from subsection  
6 (1)(e) of this section, and one member from subsection (1)(f) of this  
7 section, with the directors of the department of retirement systems and  
8 the office of financial management serving in alternate years.

9 (5) Nonlegislative members of the select committee serve without  
10 compensation, but shall be reimbursed for travel expenses under RCW  
11 43.03.050 and 43.03.060.

12 (6) The office of state actuary under chapter 44.44 RCW shall  
13 provide staff and technical support to the committee.

14 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.04 RCW  
15 to read as follows:

16 (1) The select committee on pension policy may form three function-  
17 specific subcommittees, as set forth under subsection (2) of this  
18 section, from the members under section 1(1) (a) through (e) of this  
19 act, as follows:

20 (a) A public safety subcommittee with one member from each group  
21 under section 1(1) (a) through (e) of this act;

22 (b) An education subcommittee with one member from each group under  
23 section 1(1) (a) through (e) of this act; and

24 (c) A state and local government subcommittee, with one retiree  
25 member under section 1(1)(d) of this act and two members from each  
26 group under section 1(1) (a) through (c) and (e) of this act.

27 The retiree members may serve on more than one subcommittee to  
28 ensure representation on each subcommittee.

29 (2)(a) The public safety subcommittee shall focus on pension issues  
30 affecting public safety employees who are members of the law  
31 enforcement officers' and fire fighters' and Washington state patrol  
32 retirement systems.

33 (b) The education subcommittee shall focus on pension issues  
34 affecting educational employees who are members of the public  
35 employees', teachers', and school employees' retirement systems.

36 (c) The state and local government subcommittee shall focus on

1 pension issues affecting state and local government employees who are  
2 members of the public employees' retirement system.

3       **Sec. 3.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to  
4 read as follows:

5       (1) Except as provided by RCW 41.50.255 and subsection (6) of this  
6 section, all expenses of the administration of the department (~~((and))~~),  
7 the expenses of administration of the retirement systems, and the  
8 expenses of the administration of the office of the state actuary  
9 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,  
10 (~~((and))~~) 43.43, and 44.44 RCW shall be paid from the department of  
11 retirement systems expense fund.

12       (2) In order to reimburse the department of retirement systems  
13 expense fund on an equitable basis the department shall ascertain and  
14 report to each employer, as defined in RCW 41.26.030, 41.32.010,  
15 41.35.010, or 41.40.010, the sum necessary to defray its proportional  
16 share of the entire expense of the administration of the retirement  
17 system that the employer participates in during the ensuing biennium or  
18 fiscal year whichever may be required. Such sum is to be computed in  
19 an amount directly proportional to the estimated entire expense of the  
20 administration as the ratio of monthly salaries of the employer's  
21 members bears to the total salaries of all members in the entire  
22 system. It shall then be the duty of all such employers to include in  
23 their budgets or otherwise provide the amounts so required.

24       (3) The department shall compute and bill each employer, as defined  
25 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of  
26 each month for the amount due for that month to the department of  
27 retirement systems expense fund and the same shall be paid as are its  
28 other obligations. Such computation as to each employer shall be made  
29 on a percentage rate of salary established by the department. However,  
30 the department may at its discretion establish a system of billing  
31 based upon calendar year quarters in which event the said billing shall  
32 be at the end of each such quarter.

33       (4) The director may adjust the expense fund contribution rate for  
34 each system at any time when necessary to reflect unanticipated costs  
35 or savings in administering the department.

36       (5) An employer who fails to submit timely and accurate reports to  
37 the department may be assessed an additional fee related to the

1 increased costs incurred by the department in processing the deficient  
2 reports. Fees paid under this subsection shall be deposited in the  
3 retirement system expense fund.

4 (a) Every six months the department shall determine the amount of  
5 an employer's fee by reviewing the timeliness and accuracy of the  
6 reports submitted by the employer in the preceding six months. If  
7 those reports were not both timely and accurate the department may  
8 prospectively assess an additional fee under this subsection.

9 (b) An additional fee assessed by the department under this  
10 subsection shall not exceed fifty percent of the standard fee.

11 (c) The department shall adopt rules implementing this section.

12 (6) Expenses other than those under RCW 41.34.060((+2+)) (3) shall  
13 be paid pursuant to subsection (1) of this section.

14 **Sec. 4.** RCW 44.44.040 and 1987 c 25 s 3 are each amended to read  
15 as follows:

16 The office of the state actuary shall have the following powers and  
17 duties:

18 (1) Perform all actuarial services for the department of retirement  
19 systems, including all studies required by law. ~~((Reimbursement for  
20 such services shall be made to the state actuary pursuant to the  
21 provisions of RCW 39.34.130 as now or hereafter amended.))~~

22 (2) Advise the legislature and the governor regarding pension  
23 benefit provisions, and funding policies and investment policies of the  
24 state investment board.

25 (3) Consult with the legislature and the governor concerning  
26 determination of actuarial assumptions used by the department of  
27 retirement systems.

28 (4) Prepare a report, to be known as the actuarial fiscal note, on  
29 each pension bill introduced in the legislature which briefly explains  
30 the financial impact of the bill. The actuarial fiscal note shall  
31 include: (a) The statutorily required contribution for the biennium  
32 and the following twenty-five years; (b) the biennial cost of the  
33 increased benefits if these exceed the required contribution; and (c)  
34 any change in the present value of the unfunded accrued benefits. An  
35 actuarial fiscal note shall also be prepared for all amendments which  
36 are offered in committee or on the floor of the house of  
37 representatives or the senate to any pension bill. However, a majority

1 of the members present may suspend the requirement for an actuarial  
2 fiscal note for amendments offered on the floor of the house of  
3 representatives or the senate.

4 (5) Provide such actuarial services to the legislature as may be  
5 requested from time to time.

6 (6) Provide staff and assistance to the committee established under  
7 (~~RCW 46.44.050~~) section 1 of this act.

8 NEW SECTION. **Sec. 5.** A new section is added to chapter 41.04 RCW  
9 to read as follows:

10 The select committee on pension policy has the following powers and  
11 duties:

12 (1) Study pension issues, develop pension policies for public  
13 employees in state retirement systems, and make recommendations to the  
14 legislature;

15 (2) Study the financial condition of the state pension systems,  
16 develop funding policies, and make recommendations to the legislature;

17 (3) Consult with the chair and vice-chair on appointing members to  
18 the state actuary appointment committee upon the convening of the state  
19 actuary appointment committee established under section 13 of this act;  
20 and

21 (4) Receive the results of the actuarial audits of the actuarial  
22 valuations and experience studies administered by the pension funding  
23 council pursuant to RCW 41.45.110. The select committee on pension  
24 policy shall study and make recommendations on changes to assumptions  
25 or contribution rates to the pension funding council prior to adoption  
26 of changes under RCW 41.45.030, 41.45.035, or 41.45.060.

27 **Sec. 6.** RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317  
28 s 1 are each reenacted and amended to read as follows:

29 (1)(a) If a retiree enters employment with an employer sooner than  
30 one calendar month after his or her accrual date, the retiree's monthly  
31 retirement allowance will be reduced by five and one-half percent for  
32 every seven hours worked during that month. This reduction will be  
33 applied each month until the retiree remains absent from employment  
34 with an employer for one full calendar month.

35 (b) The benefit reduction provided in (a) of this subsection will

1 accrue for a maximum of one hundred forty hours per month. Any monthly  
2 benefit reduction over one hundred percent will be applied to the  
3 benefit the retiree is eligible to receive in subsequent months.

4 (2) Any retired teacher or retired administrator who enters service  
5 in any public educational institution in Washington state and who has  
6 satisfied the break in employment requirement of subsection (1) of this  
7 section shall cease to receive pension payments while engaged in such  
8 service, after the retiree has rendered service for more than one  
9 thousand five hundred hours in a school year. When a retired teacher  
10 or administrator renders service beyond eight hundred sixty-seven  
11 hours, the department shall collect from the employer the applicable  
12 employer retirement contributions for the entire duration of the  
13 member's employment during that fiscal year.

14 (3) The department shall collect and provide the state actuary with  
15 information relevant to the use of this section for the ((joint))  
16 select committee on pension policy.

17 (4) The legislature reserves the right to amend or repeal this  
18 section in the future and no member or beneficiary has a contractual  
19 right to be employed for more than five hundred twenty-five hours per  
20 year without a reduction of his or her pension.

21 **Sec. 7.** RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended  
22 to read as follows:

23 (1)(a) If a retiree enters employment with an employer sooner than  
24 one calendar month after his or her accrual date, the retiree's monthly  
25 retirement allowance will be reduced by five and one-half percent for  
26 every eight hours worked during that month. This reduction will be  
27 applied each month until the retiree remains absent from employment  
28 with an employer for one full calendar month.

29 (b) The benefit reduction provided in (a) of this subsection will  
30 accrue for a maximum of one hundred sixty hours per month. Any benefit  
31 reduction over one hundred percent will be applied to the benefit the  
32 retiree is eligible to receive in subsequent months.

33 (2)(a) A retiree from plan 1 who has satisfied the break in  
34 employment requirement of subsection (1) of this section and who enters  
35 employment with an employer may continue to receive pension payments  
36 while engaged in such service for up to one thousand five hundred hours  
37 of service in a calendar year without a reduction of pension. When a

1 plan 1 member renders service beyond eight hundred sixty-seven hours,  
2 the department shall collect from the employer the applicable employer  
3 retirement contributions for the entire duration of the member's  
4 employment during that calendar year.

5 (b) A retiree from plan 2 or plan 3 who has satisfied the break in  
6 employment requirement of subsection (1) of this section may work up to  
7 eight hundred sixty-seven hours in a calendar year in an eligible  
8 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as  
9 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,  
10 without suspension of his or her benefit.

11 (3) If the retiree opts to reestablish membership under RCW  
12 41.40.023(12), he or she terminates his or her retirement status and  
13 becomes a member. Retirement benefits shall not accrue during the  
14 period of membership and the individual shall make contributions and  
15 receive membership credit. Such a member shall have the right to again  
16 retire if eligible in accordance with RCW 41.40.180. However, if the  
17 right to retire is exercised to become effective before the member has  
18 rendered two uninterrupted years of service, the retirement formula and  
19 survivor options the member had at the time of the member's previous  
20 retirement shall be reinstated.

21 (4) The department shall collect and provide the state actuary with  
22 information relevant to the use of this section for the ((joint))  
23 select committee on pension policy.

24 (5) The legislature reserves the right to amend or repeal this  
25 section in the future and no member or beneficiary has a contractual  
26 right to be employed for more than five months in a calendar year  
27 without a reduction of his or her pension.

28 **Sec. 8.** RCW 41.45.020 and 2002 c 26 s 4 are each amended to read  
29 as follows:

30 As used in this chapter, the following terms have the meanings  
31 indicated unless the context clearly requires otherwise.

32 (1) "Council" means the pension funding council created in RCW  
33 41.45.100.

34 (2) "Department" means the department of retirement systems.

35 (3) "Law enforcement officers' and fire fighters' retirement system  
36 plan 1" and "law enforcement officers' and fire fighters' retirement

1 system plan 2" means the benefits and funding provisions under chapter  
2 41.26 RCW.

3 (4) "Public employees' retirement system plan 1," "public  
4 employees' retirement system plan 2," and "public employees' retirement  
5 system plan 3" mean the benefits and funding provisions under chapter  
6 41.40 RCW.

7 (5) "Teachers' retirement system plan 1," "teachers' retirement  
8 system plan 2," and "teachers' retirement system plan 3" mean the  
9 benefits and funding provisions under chapter 41.32 RCW.

10 (6) "School employees' retirement system plan 2" and "school  
11 employees' retirement system plan 3" mean the benefits and funding  
12 provisions under chapter 41.35 RCW.

13 (7) "Washington state patrol retirement system" means the  
14 retirement benefits provided under chapter 43.43 RCW.

15 (8) "Unfunded liability" means the unfunded actuarial accrued  
16 liability of a retirement system.

17 (9) "Actuary" or "state actuary" means the state actuary employed  
18 under chapter 44.44 RCW.

19 (10) "State retirement systems" means the retirement systems listed  
20 in RCW 41.50.030.

21 (11) "Classified employee" means a member of the Washington school  
22 employees' retirement system plan 2 or plan 3 as defined in RCW  
23 41.35.010.

24 (12) "Teacher" means a member of the teachers' retirement system as  
25 defined in RCW 41.32.010(15).

26 (13) "Select committee" means the select committee on pension  
27 policy created in section 1 of this act.

28 **Sec. 9.** RCW 41.45.090 and 1998 c 283 s 7 are each amended to read  
29 as follows:

30 The department shall collect and keep in convenient form such data  
31 as shall be necessary for an actuarial valuation of the assets and  
32 liabilities of the state retirement systems, and for making an  
33 actuarial investigation into the mortality, service, compensation, and  
34 other experience of the members and beneficiaries of those systems.  
35 The department and state actuary shall enter into a memorandum of  
36 understanding regarding the specific data the department will collect,

1 when it will be collected, and how it will be maintained. The  
2 department shall notify the state actuary of any changes it makes, or  
3 intends to make, in the collection and maintenance of such data.

4 At least once in each six-year period, the state actuary shall  
5 conduct an actuarial experience study of the mortality, service,  
6 compensation and other experience of the members and beneficiaries of  
7 each state retirement system, and into the financial condition of each  
8 system. The results of each investigation shall be filed with the  
9 department, the office of financial management, the budget writing  
10 committees of the Washington house of representatives and senate, the  
11 select committee on pension policy, and the pension funding council.  
12 Upon the basis of such actuarial investigation the department shall  
13 adopt such tables, schedules, factors, and regulations as are deemed  
14 necessary in the light of the findings of the actuary for the proper  
15 operation of the state retirement systems.

16 **Sec. 10.** RCW 41.45.110 and 1998 c 283 s 3 are each amended to read  
17 as follows:

18 The pension funding council shall solicit and administer a biennial  
19 actuarial audit of the actuarial valuations used for rate-setting  
20 purposes. This audit will be conducted concurrent with the actuarial  
21 valuation performed by the state actuary. At least once in each six-  
22 year period, the pension funding council shall solicit and administer  
23 an actuarial audit of the results of the experience study required in  
24 RCW 41.45.090. Upon receipt of the results of the actuarial audits  
25 required by this section, the pension funding council shall submit the  
26 results to the select committee on pension policy.

27 NEW SECTION. **Sec. 11.** RCW 41.54.061 is decodified.

28 **Sec. 12.** RCW 44.04.260 and 2001 c 259 s 1 are each amended to read  
29 as follows:

30 The joint legislative audit and review committee, the legislative  
31 transportation committee, the ((joint)) select committee on pension  
32 policy, the legislative evaluation and accountability program  
33 committee, and the joint legislative systems committee are subject to  
34 such operational policies, procedures, and oversight as are deemed  
35 necessary by the facilities and operations committee of the senate and



1 the executive rules committee of the house of representatives to ensure  
2 operational adequacy of the agencies of the legislative branch. As  
3 used in this section, "operational policies, procedures, and oversight"  
4 includes the development process of biennial budgets, contracting  
5 procedures, personnel policies, and compensation plans, selection of a  
6 chief administrator, facilities, and expenditures. This section does  
7 not grant oversight authority to the facilities and operations  
8 committee of the senate over any standing committee of the house of  
9 representatives or oversight authority to the executive rules committee  
10 of the house of representatives over any standing committee of the  
11 senate.

12 NEW SECTION. **Sec. 13.** (1) The state actuary appointment committee  
13 is created. The committee shall consist of: (a) The chair and ranking  
14 minority member of the house of representatives appropriations  
15 committee and the chair and ranking minority member of the senate ways  
16 and means committee; and (b) four members of the select committee on  
17 pension policy appointed jointly by the chair and vice-chair of the  
18 select committee, at least one member representing state retirement  
19 systems active or retired members, and one member representing state  
20 retirement system employers.

21 (2) The state actuary appointment committee shall be jointly  
22 chaired by the chair of the house of representatives appropriations  
23 committee and the chair of the senate ways and means committee.

24 (3) The state actuary appointment committee shall appoint or remove  
25 the state actuary by a two-thirds vote of the committee. When  
26 considering the appointment or removal of the state actuary, the  
27 appointment committee shall consult with the director of the department  
28 of retirement systems, the director of the office of financial  
29 management, and other interested parties.

30 (4) The state actuary appointment committee shall be convened by  
31 the chairs of the house of representatives appropriations committee and  
32 the senate ways and means committee (a) whenever the position of state  
33 actuary becomes vacant, or (b) upon the written request of any four  
34 members of the appointment committee.

35 **Sec. 14.** RCW 44.44.030 and 2001 c 259 s 11 are each amended to  
36 read as follows:

1 (1) Subject to RCW 44.04.260, the state actuary shall have the  
2 authority to select and employ such research, technical, clerical  
3 personnel, and consultants as the actuary deems necessary, whose  
4 salaries shall be fixed by the actuary and approved by the ((~~joint~~  
5 ~~committee on pension policy~~)) the state actuary appointment committee,  
6 and who shall be exempt from the provisions of the state civil service  
7 law, chapter 41.06 RCW.

8 (2) All actuarial valuations and experience studies performed by  
9 the office of the state actuary shall be signed by a member of the  
10 American academy of actuaries. If the state actuary is not such a  
11 member, the state actuary, after approval by the select committee,  
12 shall contract for a period not to exceed two years with a member of  
13 the American academy of actuaries to assist in developing actuarial  
14 valuations and experience studies.

15 NEW SECTION. Sec. 15. The following acts or parts of acts are  
16 each repealed:

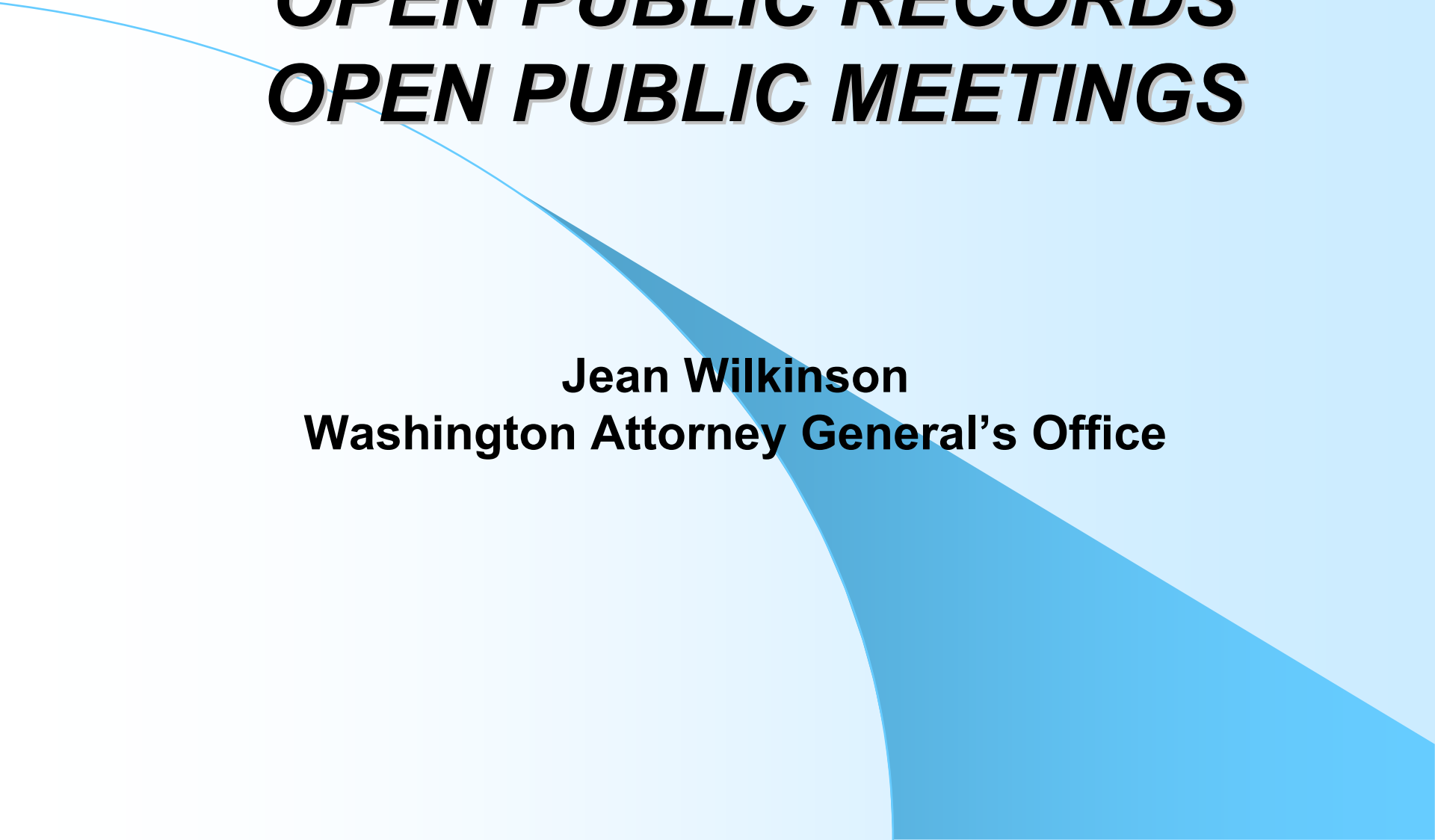
- 17 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;  
18 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,  
19 terms, leadership) and 1987 c 25 s 4; and  
20 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and  
21 duties) and 1987 c 25 s 5.

Passed by the House April 26, 2003.

Passed by the Senate April 25, 2003.

Approved by the Governor May 14, 2003.

Filed in Office of Secretary of State May 14, 2003.

A large, light blue curved shape that starts from the left edge of the slide and sweeps downwards and to the right, ending near the bottom right corner. It has a darker blue gradient towards the bottom right.

# ***OPEN PUBLIC RECORDS***

# ***OPEN PUBLIC MEETINGS***

**Jean Wilkinson**  
**Washington Attorney General's Office**

# ***PURPOSE OF THE LAWS***

- ▼ People do not yield their sovereignty to the agencies which serve them.
- ▼ Citizens have access to agencies' decisionmaking so they can remain informed about the instruments they have created.

# ***WASHINGTON'S OPEN PUBLIC MEETINGS ACT***

- ▼ Passed in 1971.
- ▼ Does not apply to the courts or the legislature.
- ▼ Requires meetings to be open gavel-to-gavel.

# ***STATE LEVEL COVERAGE OF THE ACT***

- ▼ Very broad coverage.
- ▼ Covers state boards, commissions, committees, departments, educational institutions, and agencies.
- ▼ Does not apply to state agencies covered by a single head (Ecology, DSHS).

# ***MEETINGS MUST BE OPEN***

- ▼ Administrative meetings of government staff are not covered.
- ▼ Meetings of “governing bodies,” which include policy and rulemaking members, must be open.

# ***What portion of the meeting must be open?***

- ▼ Law takes a broad view.
- ▼ Meetings where “action” is taken must be open.
- ▼ Action includes:
  - ▲ Public testimony
  - ▲ All deliberations
  - ▲ Discussions
  - ▲ Reviews
  - ▲ Evaluations
  - ▲ Final action



# ***Anyone can attend a meeting.***

- ▼ Reasonable rules of conduct can be set.
- ▼ Cameras and tape recorders are permitted unless disruptive.
- ▼ Can't place conditions on people for attending.

# ***GIVING NOTICE: REGULAR MEETINGS***

- ▼ Recurring meetings of the public body.
- ▼ Must adopt regular schedule by ordinance, resolution, or by law.

# ***GIVING NOTICE: SPECIAL MEETINGS***

- ▼ Written notice must be given to:
  - ▲ Each member of governing body
  - ▲ Each local newspaper, radio, and TV station which has requested notice

# ***SPECIAL MEETING NOTICES***

- ▼ Delivered at least 24 hours in advance
- ▼ Must specify:
  - ▲ Time
  - ▲ Place
  - ▲ Business to be transacted (agenda)

# ***EXECUTIVE SESSIONS***

- ▼ Receive and evaluate complaints or charges against a public employee
- ▼ Review employee performance
- ▼ Evaluate qualifications of a job applicant
- ▼ Meet with legal counsel relating to enforcement action or litigation
- ▼ Discuss confidential financial information (State Investment Board)

# ***PENALTIES FOR VIOLATING THE LAW***

- ▼ Superior Court Judge can impose a \$100 civil penalty against each member.
- ▼ Judge will award attorney fees.
- ▼ Any action taken at an improperly closed meeting can be declared null and void.

# Select Committee on Pension Policy

## Proposed Rules of Procedure and Issues to be Resolved

**RULE 1. Membership. The Committee shall consist of 20 members: two from each caucus of the legislature, four active members or representatives of active members of the state retirement systems, two retired members or representatives of retired members of the state retirement systems, four employer representatives, and the Directors of the Department of Retirement Systems and the Office of Financial Management.**

(Ch. 295, L of 03, Sec 1)

“(a) Four members of the senate appointed by the president of the senate, two of whom are members of the majority party and two of whom are members of the minority party. At least three of the appointees shall be members of the senate ways and means committee;

(b) Four members of the house of representatives appointed by the speaker, two of whom are members of the majority party and two of whom are members of the minority party. At least three of the appointees shall be members of the house of representatives appropriations committee;

(c) Four active members or representatives from organizations of active members of the state retirement systems appointed by the governor for staggered three-year terms, with no more than two appointees representing any one employee retirement system;

(d) Two retired members or representatives of retired members' organizations of the state retirement systems appointed by the governor for staggered three-year terms, with no two members from the same system;

(e) Four employer representatives of members of the state retirement systems appointed by the governor for staggered three-year terms; and

(f) The directors of the department of retirement systems and office of financial management.

“(2)(a) The term of office of each member of the house of representatives or senate serving on the committee runs from the close of the session in which he or she is appointed until the close of the next regular session held in an odd-numbered year. If a successor is not appointed during a session, the member's term continues until the member is reappointed or a successor is appointed. The term of office for a committee member who is a member of the house of representatives or the senate who does not continue as a member of the senate or house of representatives ceases upon the convening of the next session of the legislature during the odd-numbered year following the member's appointment, or upon the member's resignation, whichever is earlier. All vacancies of positions held by members of the legislature must be filled from the same political party and from the same house as the member whose seat was vacated.

(b) Following the terms of members and representatives appointed under subsection (1)(d) of this section, the retiree positions shall be rotated to ensure that each system has an opportunity to have a retiree representative on the committee.”

JCPP Rule 1. Membership. The committee shall be composed of 16 members, 4 from each major caucus of the legislature. Appointments are for a biennium beginning at the close of the session in which the member is appointed and ending at the close of the next regular session held in an odd-numbered year or until a successor is appointed.

**RULE 2. Meetings.** The Select Committee on Pension Policy (SCPP) may meet once each month during the Legislative Interim, or at such other times when called by the Chair or Executive Committee.

- **Will SCPP meet only during the legislative interim?**
- **How will subcommittees be established, etc.?**

*Statute states three subcommittees may be formed:*

*Public Safety (5 members) 1 Senate, 1 House, 1 Active, 1 Retiree, 1 Employer; Education (5 members) 1 Senate, 1 House, 1 Active, 1 Retiree, 1 Employer; State and Local Government (9 members) 1 Retiree, 2 Senate, 2 House, 2 Active, 2 Employer*

(Ch. 295, L of 03, Sec 2)

“(1) The select committee on pension policy may form three function- specific subcommittees, as set forth under subsection (2) of this section, from the members under section 1(1) (a) through (e) of this act, as follows:

“(a) A public safety subcommittee with one member from each group under section 1(1) (a) through (e) of this act;

(Ch. 295, L of 03, Sec 2)

(b) An education subcommittee with one member from each group under section 1(1) (a) through (e) of this act; and

(c) A state and local government subcommittee, with one retiree member under section 1(1)(d) of this act and two members from each group under section 1(1) (a) through (c) and (e) of this act. The retiree members may serve on more than one subcommittee to ensure representation on each subcommittee.

“(2)(a) The public safety subcommittee shall focus on pension issues affecting public safety employees who are members of the law enforcement officers' and fire fighters' and Washington state patrol retirement systems.

(b) The education subcommittee shall focus on pension issues affecting educational employees who are members of the public employees', teachers', and school employees' retirement systems.

(c) The state and local government subcommittee shall focus on pension issues affecting state and local government employees who are members of the public employees' retirement system.”

JCPP Rule 2. Meetings. The Joint Committee on Pension Policy (JCPP) may meet once each month during the Legislative Interim, or at such other times when called by the chair or by the executive committee. The date, time, and place shall be set by the chair or executive committee. A good faith effort will be made to put notices of meetings in the printed monthly legislative meeting schedule and in the schedule available on the internet during the interim. A minimum of seven days' notice of any meeting shall be given.



# Joint Committee on Pension Policy

## Rules of Procedure

Revised May 13, 2002

- RULE 1. Membership. The committee shall be composed of 16 members, 4 from each major caucus of the legislature. Appointments are for a biennium beginning at the close of the session in which the member is appointed and ending at the close of the next regular session held in an odd-numbered year or until a successor is appointed.
- RULE 2. Meetings. The Joint Committee on Pension Policy (JCPP) may meet once each month during the Legislative Interim, or at such other times when called by the chair or by the executive committee. The date, time, and place shall be set by the chair or executive committee. A good faith effort will be made to put notices of meetings in the printed monthly legislative meeting schedule and in the schedule available on the internet during the interim. A minimum of seven days' notice of any meeting shall be given.
- RULE 3. Rules of Order. All meetings of the JCPP, its executive committee, or any subcommittee created by the JCPP, shall be governed by Reed's Parliamentary Rules, except as specified by applicable law or these Rules of Procedure.
- RULE 4. Quorum. A majority of the members shall constitute a quorum.
- RULE 5. Voting. A majority of committee members must vote in the affirmative for an action of the committee to be valid, unless provided otherwise in statute or these Rules of Procedure.
- RULE 6. Minutes. Minutes summarizing the proceedings of each JCPP meeting shall be kept. These minutes will include member attendance, any official actions taken at each meeting, and persons testifying.
- RULE 7. JCPP Executive Committee. The JCPP shall reorganize promptly after the biennial appointment of members under Chapter 44.44 RCW.

An executive committee shall be established and shall include four members elected by the JCPP representing the four major caucuses. Reorganization elections shall take place as follows: First, a chair shall be elected and then a vice-chair shall be elected. The chair shall be a member of the Senate in even-numbered years and a member of the House of Representatives in odd-numbered years. The chair and vice-chair shall be from opposite chambers. The remaining two members of the executive committee shall then be elected from the two caucuses not represented by the chair or the vice-chair. Following the election of the four members of the executive committee, an alternate shall be elected from each of

the four major caucuses to serve on the executive committee in the event of the absence of the executive committee member from the same caucus.

In the event that membership in the House of Representatives is evenly split between caucuses in an odd-numbered year, the Committee shall elect a co-chair from each of the two major caucuses of the House. In the event that membership in the House of Representatives is evenly split between caucuses in an even-numbered year, the Committee shall elect co-vice-chairs from each of the two major caucuses in the House. In the event that co-chairs or co-vice-chairs serve on the executive committee, no additional executive committee member from the House of Representatives shall be elected so that the total membership of the executive committee remains at four.

RULE 8. Duties of Officers.

- A. The chair shall preside at all meetings of the JCPP and executive committee, except that the vice chair shall preside when the chair is not present. In their absence, an executive committee member may preside.
- B. The State Actuary shall prepare and maintain a record of the proceedings of all meetings of the JCPP and executive committee.
- C. The executive committee shall perform all duties assigned to it by these Rules of Procedure, and such other duties delegated to it by the JCPP, and shall set meeting agendas and recommend actions to be taken by the JCPP.

RULE 9. Resolutions and Proposals. Proposals for JCPP consideration or action on any subject within the scope of JCPP's authority may be presented orally or in writing by any member of the JCPP. Resolutions addressed to the JCPP by the Washington State Legislature or either chamber thereof shall be deemed to have been presented to the JCPP without further action by any member. Proposals for JCPP consideration or action on any subject within the scope of JCPP's authority may be presented in writing to JCPP by any member of the legislature.

RULE 10. Expenses. The biennial budget submission for the office of the state actuary shall be approved by the executive committee. JCPP members' travel expenses shall be paid by the member's legislative body.

RULE 11. State Actuary. If a vacancy occurs, the JCPP shall appoint a state actuary by a two-thirds majority from a list of applicants recommended by the executive committee. The state actuary shall serve as the chief of staff for the JCPP and shall perform such duties as the JCPP or its executive committee may require.

The compensation of the state actuary shall be determined by the executive

committee and the executive committee shall provide for a regular performance evaluation of the state actuary.

The state actuary may be terminated based on the recommendation of the executive committee subject to the approval of two-thirds of the membership of the JCPP.

**RULE 12. Other Staff.**

- A. The state actuary shall have the authority to select and employ such research, technical, clerical personnel, and consultants as the state actuary deems necessary.
- B. The number of permanent employees and the salary ranges for their positions shall be approved by the executive committee.
- C. The executive committee shall approve all personal service contracts in excess of \$5,000.00.
- D. All staff members shall report to and be subject to the direction of the state actuary, and be exempt from the provisions of the state civil service law, chapter 41.06 RCW. The state actuary shall advise the executive committee on personnel actions. Anyone terminated by the state actuary shall have the right of appeal to the executive committee.
- E. Grievance Procedure. An employee who is dissatisfied with a personnel action or employment conditions shall bring the matter to their supervisor. If they continue to be dissatisfied, the employee may appeal to the State Actuary. If the employee disagrees with the decision or action of the State Actuary, the employee may appeal to the chair or vice chair for action by the executive committee.

**Adopted May 13, 2002, by the Joint Committee on Pension Policy:**

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Senator Don Carlson, Chair

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Representative Steve Conway, Vice-Chair

**RULE 3. Rules of Order. All meetings of the SCPP, its Executive Committee, or any subcommittee created by the SCPP shall be governed by Reed's Parliamentary Rules, except as specified by applicable law or these Rules of Procedure.**

JCPP Rule 3. Rules of Order. All meetings of the JCPP, its executive committee, or any subcommittee created by the JCPP, shall be governed by Reed's Parliamentary Rules, except as specified by applicable law or these Rules of Procedure.

**RULE 4. Quorum. A majority of the 20 committee members shall constitute a quorum (11 members).**

JCPP Rule 4. Quorum. A majority of the members shall constitute a quorum.

**RULE 5.    Voting. A majority of the 20 committee members must vote in the affirmative for an official action of the Committee to be valid (11 members), a majority of those committee members present must vote in the affirmative on procedural matters (at least 6 members), unless provided otherwise in statute or these Rules of Procedure.**

JCPP Rule 5. Voting. A majority of committee members must vote in the affirmative for an action of the committee to be valid, unless provided otherwise in statute or these Rules of Procedure.

**RULE 6. Minutes. Minutes summarizing the proceedings of each SCPP meeting and subcommittee shall be kept. These minutes will include member attendance, official actions taken at each meeting, and persons testifying.**

JCPP Rule 6. Minutes. Minutes summarizing the proceedings of each JCPP meeting shall be kept. These minutes will include member attendance, any official actions taken at each meeting, and persons testifying.

**RULE 7. SCPP Chair, Vice Chair, and Executive Committee.**

**An Executive Committee shall be established and shall include five members. Reorganization elections shall take place at the first meeting of the year as follows: First the Chair shall be elected and then the Vice Chair shall be elected. The Chair shall be a member of the Senate in even-numbered years and a member of the House of Representatives in odd-numbered years.**

**Two members of the Executive Committee shall then be elected, one member representing active members and one member representing employers. In addition, the Director of the Department of Retirement Systems and the Director of the Office of Financial Management shall alternate membership on the Executive Committee.**

- ***Will Chair and Vice Chair be members of the majority party? Historic practice of the JCPP was that the Chair and Vice Chair were nominated by the majority party, but could be from either party.***
- ***Which Director serves on the Executive Committee first?***

(Ch. 295, L of 03, Sec 1)

"(3) The committee shall elect a chairperson and a vice-chairperson. The chairperson shall be a member of the senate in even-numbered years and a member of the house of representatives in odd-numbered years and the vice-chairperson shall be a member of the house of representatives in even-numbered years and a member of the senate in odd-numbered years.

(4) The committee shall establish an executive committee of five members, including the chairperson, the vice-chairperson, one member from subsection (1)(c) of this section, one member from subsection (1)(e) of this section, and one member from subsection (1)(f) of this section, with the directors of the department of retirement systems and the office of financial management serving in alternate years."

JCPP Rule 7. JCPP Executive Committee. The JCPP shall reorganize promptly after the biennial appointment of members under Chapter 44.44 RCW.

An executive committee shall be established and shall include four members elected by the JCPP representing the four major caucuses. Reorganization elections shall take place as follows: First, a chair shall be elected and then a vice-chair shall be elected. The chair shall be a member of the Senate in even-numbered years and a member of the House of Representatives in odd-numbered years. The chair and vice-chair shall be from opposite chambers. The remaining two members of the executive committee shall then be elected from the two caucuses not represented by the chair or the vice-chair. Following the election of the four members of the executive committee, an alternate shall be elected from each of the four major caucuses to serve on the executive committee in the event of the absence of the executive committee member from the same caucus.

In the event that membership in the House of Representatives is evenly split between caucuses in an odd-numbered year, the Committee shall elect a co-chair from each of the two major caucuses of the House. In the event that membership in the House of Representatives is evenly split between caucuses in an even-numbered year, the Committee shall elect co-vice-chairs from each of the two major caucuses in the House. In the event that co-chairs or co-vice-chairs serve on the executive committee, no additional executive committee member from the House of Representatives shall be elected so that the total membership of the executive committee remains at four.



**RULE 8. Duties of Officers.**

- A. The Chair shall preside at all meetings of the SCPP and Executive Committee, except that the Vice Chair shall preside when the Chair is not present. In their absence, an Executive Committee member may preside.
- Will a member of the Executive Committee preside at all subcommittee meetings?
- B. The State Actuary shall prepare and maintain a record of the proceedings of all meetings of the SCPP Committee, Executive Committee, and SCPP Subcommittees.
- C. The Executive Committee shall perform all duties assigned to it by these Rules of Procedure, such other duties delegated to it by the SCPP, and shall set meeting agendas and recommend actions to be taken by the SCPP.
- The Attorney General represents the Select Committee as a body. If Attorney General services are required, by what process would SCPP requests be made?

**Proposed Rule 8D: Use of Attorney General's Services by the Select Committee on Pension Policy.** The Committee, or individual members, will refer questions of a legal nature to the Research Analyst/Legal or State Actuary for review. The Research Analyst will report back to the Committee with an analysis, which may include a recommendation that the issue be referred to the Assistant Attorney General assigned to advise the Office of the State Actuary. The Research Analyst will consult with the State Actuary and, where appropriate, the Assistant Attorney General during this process.

A recommendation to refer an issue to the Assistant Attorney General will be approved by a majority vote of the Executive Committee. The Committee will consider priorities of all legal issues and budget constraints in making this decision.

Advice from the Attorney General's Office to the Committee may be subject to the attorney client privilege. When subject to the privilege, Committee members are advised to maintain the advice as confidential. The privilege may be waived only by vote of the Committee.

**RULE 8. Duties of Officers (cont'd)**

- **How will projects be assigned to assure they are Committee priorities and can be accomplished with available staff resources?**

**Proposed Rule 8E: Use of Office of the State Actuary (OSA) Services by the Select Committee on Pension Policy.** The State Actuary may refer requests for information or services by Select Committee on Pension Policy members that are directly related to current Committee projects or proposals and/or require a significant use of OSA resources to the Executive Committee. Such requests will be approved by a majority vote of the Executive Committee prior to initiation and completion by the OSA. The Executive Committee will consider priorities of all current OSA projects and budget constraints in making this decision.

**JCPP Rule 8. Duties of Officers.**

- A. The chair shall preside at all meetings of the JCPP and executive committee, except that the vice chair shall preside when the chair is not present. In their absence, an executive committee member may preside.
- B. The State Actuary shall prepare and maintain a record of the proceedings of all meetings of the JCPP and executive committee.
- C. The executive committee shall perform all duties assigned to it by these Rules of Procedure, and such other duties delegated to it by the JCPP, and shall set meeting agendas and recommend actions to be taken by the JCPP.

**RULE 9.    Resolutions and Proposals.**

- ***How will proposals from groups or individuals be handled?***

JCPP Rule 9. Resolutions and Proposals. Proposals for JCPP consideration or action on any subject within the scope of JCPP's authority may be presented orally or in writing by any member of the JCPP. Resolutions addressed to the JCPP by the Washington State Legislature or either chamber thereof shall be deemed to have been presented to the JCPP without further action by any member. Proposals for JCPP consideration or action on any subject within the scope of JCPP's authority may be presented in writing to JCPP by any member of the legislature.

**RULE 10. Expenses. Legislators' travel expenses shall be paid by the member's legislative body; state employees' expenses shall be paid by their employing agency; other SCPP members' travel expenses shall be reimbursed by the Office of the State Actuary in accordance with RCW 43.03.050 and 43.03.060.**

Travel expenses directly related to attendance at SCPP meetings will be reimbursed for meals, lodging, and transportation upon submission of a Travel Expense Voucher.

For Olympia, lodging expenses are reimbursed up to \$58, Breakfast \$10, Lunch \$13, Dinner \$19, privately-owned vehicle mileage rate of \$.345/mile. Arrangements for air travel must be coordinated with OSA staff in advance to be eligible for reimbursement.

(Ch 295, L of 03, Sec 1)

“(5) Nonlegislative members of the select committee serve without compensation, but shall be reimbursed for travel expenses under RCW 43.03.050 and 43.03.060.”

JCPP RULE 10. Expenses. The biennial budget submission for the office of the state actuary shall be approved by the executive committee. JCPP members' travel expenses shall be paid by the member's legislative body.

**(JCPP Rule 11. Responsibility goes to the State Actuary Appointment Committee.)**

JCPP Rule 11. State Actuary. If a vacancy occurs, the JCPP shall appoint a state actuary by a two-thirds majority from a list of applicants recommended by the executive committee. The state actuary shall serve as the chief of staff for the JCPP and shall perform such duties as the JCPP or its executive committee may require.

The compensation of the state actuary shall be determined by the executive committee and the executive committee shall provide for a regular performance evaluation of the state actuary. The state actuary may be terminated based on the recommendation of the executive committee subject to the approval of two-thirds of the membership of the JCPP.

**POSSIBLE NEW RULE 11. Membership in the State Actuary Appointment Committee**

- **What will be the procedure for appointing the four SCPP members to the State Actuary Appointment Committee?**

**Proposed Rule 11: State Actuary Appointment Committee Membership.** SCPP membership on the State Actuary Appointment Committee shall consist of the SCPP Executive Committee members, excluding the directors of DRS and OFM.

(Ch 295, L of 03, Sec 5)

“The select committee on pension policy has the following powers and duties:

“ . . .

“(3) Consult with the chair and vice-chair on appointing members to the state actuary appointment committee upon the convening of the state actuary appointment committee established under section 13 of this act. . . .”

(Ch 295, L of 03, Sec 13)

“(1) The state actuary appointment committee is created. The committee shall consist of: (a) The chair and ranking minority member of the house of representatives appropriations committee and the chair and ranking minority member of the senate ways and means committee; and (b) four members of the select committee on pension policy appointed jointly by the chair and vice-chair of the select committee, at least one member representing state retirement systems active or retired members, and one member representing state retirement system employers;

(2) The state actuary appointment committee shall be jointly chaired by the chair of the house of representatives appropriations committee and the chair of the senate ways and means committee;

(3) The state actuary appointment committee shall appoint or remove the state actuary by a two-thirds vote of the committee. When considering the appointment or removal of the state actuary, the appointment committee shall consult with the director of the department of retirement systems, the director of the office of financial management, and other interested parties; and

(4) The state actuary appointment committee shall be convened by the chairs of the house of representatives appropriations committee and the senate ways and means committee (a) whenever the position of state actuary becomes vacant, or (b) upon the written request of any four members of the appointment committee.”

**RULE 12. Staff. The Office of the State Actuary shall provide staff and technical assistance to the Committee.**

(Ch 295, L of 03, Sec 1 [6])

“The office of the state actuary under chapter 44.44 RCW shall provide staff and technical support to the committee.”

**(Budget oversight and personnel sections of JCPP Rule 12 go to the State Actuary Appointment Committee.)**

(Ch 295, L of 03, Sec 14)

(1) Subject to RCW 44.04.260, the state actuary shall have the authority to select and employ such research, technical, clerical personnel, and consultants as the actuary deems necessary, whose salaries shall be fixed by the actuary and approved by the ~~((joint committee on pension policy))~~ the state actuary appointment committee, and who shall be exempt from the provisions of the state civil service law, chapter 41.06 RCW.

**JCPP Rule 12. Other Staff.**

- A. The state actuary shall have the authority to select and employ such research, technical, clerical personnel, and consultants as the state actuary deems necessary.
- B. The number of permanent employees and the salary ranges for their positions shall be approved by the executive committee.
- C. The executive committee shall approve all personal service contracts in excess of \$5,000.00.
- D. All staff members shall report to and be subject to the direction of the state actuary, and be exempt from the provisions of the state civil service law, chapter 41.06 RCW. The state actuary shall advise the executive committee on personnel actions. Anyone terminated by the state actuary shall have the right of appeal to the executive committee.
- E. Grievance Procedure. An employee who is dissatisfied with a personnel action or employment conditions shall bring the matter to their supervisor. If they continue to be dissatisfied, the employee may appeal to the State Actuary. If the employee disagrees with the decision or action of the State Actuary, the employee may appeal to the chair or vice chair for action by the executive committee.

# 2003 Session Update

## **Disability Board Membership (JCPP)**

**SB 5090, HB 1198, C30 L03**

Clarified that LEOFF Plan 2 members may serve on LEOFF Plan 1 disability boards provided they are elected by those LEOFF 1 and pre-LEOFF members and retirees who are subject to the jurisdiction of the boards.

## **TRS Plan 1 Extended School Year (JCPP)**

**SB 5096, HB 1199, C31 L03**

Permits members of TRS 1 to use two consecutive extended school years, as defined by their school district, in lieu of two consecutive fiscal years in calculating their average final compensation.

## **Fallen Heroes' Survivor Benefit (JCPP)**

**SB 5100, HB 1208, C32 L03**

Provides that pension payments to qualifying beneficiaries of public safety officers who died in the line of duty are not subject to federal income tax, as provided in federal law.

## **Volunteer Fire Pension Benefit Increase**

**SB 5175, HB 1110, C62 L03**

Pension benefits payable to retirees from the Volunteer Fire Fighter's Relief and Pension System are increased.

## **Implementing Initiative 790**

**SHB 2197, C92 L03**

Initiative 790, which created a Board of Trustees for the governance of LEOFF Plan 2, required the Department of Retirement Systems and the Office of the State Actuary to jointly prepare implementing legislation. This legislation made necessary statutory corrections to facilitate implementation of the Initiative.

## **Amending Initiative 790**

**SHB 2198, C93 L03**

Repealed section 6(5) of Initiative 790 which provided that investment gains above the actuarially assumed rate of return would be used exclusively to fund new benefits.

## **Death in line of duty - no actuarial reduction**

**SB 5535, HB 1519, C155 L03**

Retirement benefits of PERS, SERS, and TRS members killed in the course of employment are not actuarially reduced for early commencement, but are rather calculated as an unreduced immediate benefit.

## **Plan 3 Member Contribution Rates (JCPP)**

**SB 5091, HB 1206, C156 L03**

Adds a higher contribution rate option and gives members of PERS 3, SERS 3, and TRS 3 an annual window in which they can change their member contribution rate. The first rate change window is in January 2004.

## **Sub. SERS Membership and Service Credit (JCPP)**

**SB 5094, HB 1203, C157 L03**

Allows a substitute school employee to apply to DRS for service credit after the end of the school year during which the work was performed.

**EMTs into LEOFF (JCPP)****SSB 5089, SHB 1202, C293 L03**

Allows fire fighter emergency medical technicians (EMTs) to transfer service credit from PERS Plan 1 or Plan 2 into LEOFF Plan 2 if, while employed for a city, town, county or district, the EMT's job was relocated from another department of a city, town, county, or district to a fire department.

**Technical Corrections (JCPP)****SB 5101, HB 1200 PV, C294 L03**

Makes necessary technical corrections to retirement statutes including incorrect cross-references, inadvertent omissions of necessary references, accidental duplication of statutory language.

**Governance (JCPP)****SB 5099, SHB 1204, C295 L03**

Replaces the Joint Committee on Pension Policy with a 20-member Select Committee on Pension Policy composed of 4 members of the House, 4 members of the Senate, 4 active employee representatives, 2 retiree representatives, 4 employer representatives, and the Directors of DRS and OFM.

**Plan 3 Defined Benefit Waiver Option****SSB 6013, HB 2186, C349 L03**

A member of TRS 3, SERS 3, or PERS 3 who has received a defined contribution distribution from Plan 3 may make an irrevocable choice to waive all rights to receive future defined benefit payments from Plan 3.

**Fish and Wildlife Officers into LEOFF 2 (JCPP)****SB 5098, HB 1205, C388 L03**

Moves fish and wildlife enforcement officers from PERS 2 or PERS 3 into LEOFF 2 prospectively. Prior service remains in PERS. PERS 1 members would remain in PERS.

**\$150,000 Death Benefit (JCPP)****SB 5092, HB 1207, C402 L03**

Provides a \$150,000 duty-related death benefit to survivors of PERS, SERS, and TRS plan members who die as a result of injuries sustained in the course of employment.

**PERS 1 & TRS 1 Retire/Rehire****SHB 1829 PV, C412 L03**

The Governor vetoed sections applicable to TRS.

Provides that a member does not separate from service if they and their employer have a written or verbal agreement for the member to resume employment following termination. False claims are subject to criminal penalties.

The required length of separation from service is lengthened from one month following accrual to one and one-half months in TRS and three months in PERS.

PERS Plan 1 or TRS Plan 1 retirees meeting these separation requirements may work up to 1,500 hours per year before their benefit is suspended provided:

- The employer has documented a justifiable need to hire a retiree.
- The rehiring was approved by specific executives, depending on the employer or under rules adopted by a local government employer.



- The employer retains records of the procedures followed and the decisions made in hiring the retiree and provide these records in the event of an audit.
- The retiree has not worked a cumulative total of more than 3,165 hours as a principal or teacher, or 1,900 hours in other positions, while in receipt of pension payments beyond an annual threshold of 867 hours.

The Departments of Retirement Systems and Employment Security are required to provide notice to employers about the retirement changes and the possible unemployment compensation consequences of hiring retirees.

### **Actuarial Funding**

**EHB 2254, C11 L03 E1**

Establishes a new method of determining the actuarial value of assets and suspends payments on the unfunded liability in PERS 1 and TRS 1 during the 03-05 biennium.

# Bills that did not pass

Senate Bill #	House Bill #	Title
5093	1209	Receipt of Pension Benefits at Age 70 ½ (JCPP)
5095	1201	Elected Officials Opt In/Opt Out (JCPP)
5097	1197	Age 66 COLA (JCPP)
5301	1284	PERS Plan 2 Early Retirement
	1298	Plan 3 Vesting
	1458	Early Retirement Incentives
	1323	WSP Mandatory Retirement Age (60 to 65)
	1425	Health Care Coverage
5454		PERS Plan 1 Retire/Rehire
	1499	Early Retirement PERS Plan 1 and 2
5516	1426	Plans 1 and 3 Gainsharing
5525	1505	Inactive Plan 2 Health Care Coverage
5526	1504	State Parks and Recreation Officers into LEOFF Plan 2
	1507	Gainsharing Calculation
	1527	Post-retirement Employment of School District Retirees
	1528	Unemployment Benefits for Retirees
	1546	Service Credit for Military Service During the Vietnam Conflict
	1585	Washington State Patrol Plan 1 Governance
	1599	Early Retirement for Public Safety Workers in PERS Plan 2
	1600	Liquor Control Board Law Enforcement Officers into LEOFF Plan 2
5639		TRS Plan 1 Service Credit for Military Service
5657	1713	PERS Plan 1 Sick Leave Cashout
	1748	PERS Plan 1 & TRS Plan 1 Retire/Rehire
5742		PERS Plan 1 & TRS Plan 1 Retire/Rehire
5743		Rehiring Public Employee Retirees
5774	1733	Washington Voluntary Accounts Program
5788	1715	LEOFF Plan 1 Death Benefits for Certain Surviving Spouses
	1889	LEOFF Plan 1 Governance
	2180	PERS Early Retirement
	2193	Implementing Initiative 790
6022		PERS Plan 2 Early Retirement for Corrections Officers
6071		Military Service Credit

# Issues Suggested to JCPP

## 1. **Retire-Rehire Report:**

No later than July 1, 2003, the Office of the State Actuary is statutorily required by, C 010, L01, E2 to prepare a report for the JCPP regarding the fiscal and policy impact of C 010, L01, E2. The JCPP is required to report to the legislative fiscal committees no later than October 1, 2003 on the program impacts of the act.

## 2. **Public Safety Retirement Benefits:**

Public Safety Benefits are in reference to increased/earlier retirement benefits for those PERS 2/3 members in high-risk, or high stress jobs (jailers, corrections officers, PUD line workers, etc.)

## 3. **Part-time Educational Service Associates:**

Educational Service Associates (ESAs) are TRS members who are counselors, psychologists, social workers, speech language pathologist/audiologists, occupational therapists, physical therapists, and nurses. At this time, only counselors may annualize their salaries for retirement benefit purposes if they are employed less than full time.

## 4. **Survivor Benefits:**

LEOFF 1 members are allowed to designate a beneficiary from a post-retirement marriage and accept an actuarially-reduced benefit. LEOFF 1 representatives would prefer that the benefit not be actuarially reduced.

## 5. **Extended School Year and Post-Retirement Employment:**

Under existing post-retirement employment provisions, some TRS 1 rehires from extended school year districts may be subject to having their benefit suspended even when they work 1,500 hours per school year or less.

## 6. **School District Payroll:**

Currently, some 280 school districts use an accounting and payroll system established by the Washington School Information Processing Cooperative (WSIPC). Attempts to use other off-the-shelf accounting and payroll systems have had little success. It has been proposed by TRS representatives that by allowing retirement contributions to be paid to DRS "as paid" instead of paid "as earned," school districts could use alternative payroll systems and thus save the state money.

## 7. **Projected Rates and Funding:**

Presentation of the most recent actuarial valuation and projected rates.

# Issues Suggested by Others

-----Original Message-----

**From:** john kvamme [mailto:jekvamme@yahoo.com]

**Sent:** Tuesday, July 29, 2003 3:32 PM

**To:** Smith, Matt

**Subject:** SCPP Recommended Studies

Matt,

I'm aware that the SCPP group has not yet been completely formed, however I understand that a tentative date has been set for their first meeting (Aug. 19th). I wish to forward to you some issues that the organizations I represent wish to have considered for study during the interim. I continue to represent WASA & AWSP.

I'm attaching a draft copy of our updated Retirement/Health Position Statement for 2003-04. Of these issues I would prioritize it down to the following two issues:

Plan 3 Vesting (see SHB 1298)

As Paid/ As Earned Income Reporting (see S-2786.2/03 2nd draft)

Thanks for conveying this information.

John Kvamme (253 759 2390)

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## **RETIREMENT/HEALTH 2003 - 2004**



### **WASA/AWSP Position**

WASA/AWSP supports adequate funding for teachers' pension plans, which attract quality educators to our schools. Concerns of all K-12 retirement system members, both certificated members within the Teacher's Retirement System (TRS) 1, 2, and 3 and classified members within the Public Employee's Retirement System (PERS) 1 and School Employee Retirement System (SERS) 2, and 3, need to be addressed. Plans need to be equitable with other state retirement systems and improvements or increases need to be placed in statute in order to provide stability. The cost of medical benefits needs to be affordable to both active and retired school employees. WASA/AWSP shall introduce/support legislation related to the following retirement and health issues.

### **Plan 3 Vesting**

**Change vesting for Plan 3 from ten years to five years.**

Background: When each of the TRS, SERS, and PERS Plan 3 systems were enacted, the new members to each of these plans were given vesting into the defined benefit portion of their Plan after ten years of service or after five years of service if 12 months of that service is earned after attaining the age 54. Members that transferred into plan 3 systems from Plan 2 were automatically vested if they had five years of service in Plan 2 as of the transfer dates.

Plans 1 and 2 are vested after five years and many private plans now have vesting after as low as two years.

### **WASA/AWSP Position**

- Decrease the length of vesting for Plan 3 members from ten years to five years.

### **PLAN 2 AND 3 ERRF**

**Lower from age 30 to 25 the service year requirement for TRS, SERS and PERS Plan 2 and 3 members to qualify for the 3% early retirement reduction factors (ERRF).**

Background: TRS, SERS and PERS Plan 2 and 3 members must work to the age 65 in order to qualify for full retirement benefits under the plan's defined benefit. Prior to the year 2000 the early retirement reduction factor averaged about 8% per year for the first five years of early retirement before age 65. Members who retired at age 60 lost 40% of their defined benefit pension.

In the 2000 legislative session the ERRF was lowered to 3% each year if the member had reached the age of 55 and had 30 years of service (SB 6530).

We believe a more reasonable service year requirement would be 25 years. This would allow many more Plan 2 and 3 members to be able to retire with a more reasonable ERRF prior to them reaching age 65.

### **WASA/AWSP Position**

- Lower the service year requirement for Plan 2 and 3 members to take advantage of the

3% ERRF from 30 years to 25 years.

## **PENSION COLAS**

**Increase the COLA amount in the Plan 1 Uniform COLA. Benefits should be paid in dollars of constant value, meaning equal to the value of the dollars when they were earned.**

Background: The Plan 1 Uniform COLA began July 1, 1995 with a 59¢ per month per years of service (YOS) amount for those reaching the age of 66. This 59¢ amount is increased each July 1 by 3%. On July 1, 1998, the COLA moved to 74¢ with the 3% increase and an additional 10¢ gain-sharing increase. The July 1, 1999 rate was 77¢. The July 1, 2000 rate, which included gain sharing, was \$1.08. The present rate is \$1.18, effective July 1, 2003. Once the Plan 1 retiree is on the Uniform COLA, the impact of the annual increase on the member's pension is cumulative.

Prior to July, 1995, three different COLAs were in effect: 1) a \$17.18 per month per YOS minimum COLA; 2) a regular automatic COLA of up to 3% annually on the entire pension which generally did not begin until about age 79; and 3) a temporary "Age 70 COLA" which provided benefit increases of \$3.00 per month per YOS.

The Uniform COLA legislation was an improvement since it begins increases at an earlier age and it carries over funding to maintain benefit increases to those who were receiving the "Age 70 COLA". It was further improved through gain-sharing adopted during the 1998 legislative session.

However, we believe that the amount of the starting COLA (\$1.18 in 2003) should be further increased. If a Plan 1 member retired with a \$25,000 pension, had worked 30 years, and was age eligible for the Uniform COLA, the Uniform COLA would be worth a little more than half of the amount were the COLA based on an annual 3% increase to the entire pension.

The changes brought about in 1995 with SSB 5119 (Uniform COLA) generally did not cost the state new additional dollars. Ongoing costs to maintain pension increases for those on the "Age 70 COLA" were carried over into the new Uniform COLA. The increase to the COLA through gain sharing also did not cost the state additional general fund dollars since these improvements are covered through investments of the pension trust funds.

Benefits have been defined by the State Supreme Court as deferred compensation for services rendered. This implies that the benefits should be paid in dollars of constant value, meaning equal to the value of the dollars when they were earned. Without a permanent COLA that goes into effect upon retirement, a retiree's benefit is paid in dollars of declining value. In a 1993 *Nationwide Survey of K-12 Pension Benefits*, 31 of 50 states granted an automated COLA after 1 year of retirement. In Washington, the Uniform COLA does not go into effect until July 1 following the retiree reaching age 66. Some must wait until they are nearly 67. This age criteria should be lowered. HB 1197 and SB 5097 were introduced in the 3003 session. These bills allow the COLA to start July 1<sup>st</sup> during the calendar year the member turns age 66.

## **WASA/AWSP POSITION**

- Improve the Plan 1 COLA so that it comes closer to meeting cost of living increases.
- Start the Plan 1 COLA at age 65 or earlier
- Increase payment to those retirees that are over 75 years of age and served 20 or more

years of service.

### **AS PAID/AS EARNED DRS INCOME REPORTING**

**Authorize school districts to optionally report income to the state on an “as paid” basis for retirement purposes.**

Background: There are significant additional costs to school districts when upgrading and/or developing new data reporting systems to meet the statutory requirements that data be reported on a “time earned” basis to the Department of Retirement System. Most standard data systems for school districts are developed using a “time paid” basis. As an example, the Internal Revenue Service requires reporting of earnings on a “time paid” basis. There are significant additional costs to school districts when updating and modifying their data systems in order to accommodate the further development needed to meet the retirement system “as earned” reporting process. Significant additional costs can be avoided by establishing an option for school districts to report on a “time paid” basis rather than “as earned”.

Providing such an option will allow school districts to continue using the current data reporting systems which have already been developed to meet the “time earned” requirement, and when upgrading, consider utilizing the more standard programs at significantly less cost which use the “time paid” basis of reporting.

This change would require the DRS to make some technical reporting changes, however it should not require extensive retirement policy change.

It would not be the intent of this act to change or enhance retirement benefits to members, or increase retirement benefits cost, nor to change the accountability of the employer. The final average compensation calculation for benefit determination would continue to be based on the current “time earned” basis, which school districts can provide at the time a member enters the retirement process.

### **WASA Position**

- Allow school districts, on an optional basis, to report income to DRS on an “as paid” basis rather than “as earned”.

### **CREDIT FOR MILITARY/UNIFORMED SERVICE**

**Provide the same military/uniformed service credit for TRS I members as is available for those in PERS I. This will provide credit for TRS I members whether or not the service was interrupted.**

Background: WASA/AWSP supports allowing TRS employees, after 25 years, to receive up to five years credit for duty in the armed forces whether or not the service was interrupted. This would provide equity with this provision within the PERS system.

### **WASA/AWSP Position**

- Provide the same military/uniformed service credit for TRS 1 members as is available for those in PERS 1.



## **CREDIT FOR OUT-OF-STATE EMPLOYMENT**

**Develop improved avenues for experienced out-of-state educators to purchase or transfer retirement service credit into Washington state. Allow school superintendents and administrators transferring from other states optional membership into the Washington Retirement System.**

Background: The present provision, allowing a person to buy into the retirement system, is almost always more costly than private annuity plans that provide the same benefit. WASA/AWSP supports the development of improved avenues for experienced out-of-state educators to purchase Washington state retirement credit.

WASA/AWSP also supports the development of reciprocity agreements to permit the transfer of assets from one retirement system to another when experienced, out-of-state educators move into Washington State's education service retirement plan. Presently, elected officials, gubernatorial appointments, and city managers have optional membership in the Washington Retirement System. Since many of the newly hired school superintendents and administrators are recruited from out of state, they are similar to city managers, and would benefit from an option rather than mandatory membership.

### **WASA/AWSP Position**

- Support the development of improved avenues for experienced out-of-state educators to purchase Washington State retirement credit.

## **EXTRAORDINARY EARNINGS/GAIN-SHARING**

**Improve the gain-sharing formula for members of the state retirement system. Annualize the calculation of any extraordinary earnings of the pension trust fund. Start any extraordinary earning calculations at 8% rather than 10%. Consider using any gain-sharing to fund a 13<sup>th</sup> check. Allow TRS and PERS Plan 2 members to be eligible for any gain sharing.**

Background: Assets invested in the state's retirement funds experienced growth in the 1990s substantially above the projected rate of 7.5% needed in order to keep retirement systems actuarially sound. The unfunded liability of PERS and TRS Plan 1 that experienced chronic under funding in the 1970s and 1980s had been kept on a schedule to be totally paid off by July 1, 2024. Better-than-expected investment earnings of the pension trust funds during the 1990s gave the Legislature the opportunity to lower employer contribution rates, thus saving substantial General Fund-State dollars that could be used for purposes other than those that benefit plan members. In 1993, some of these savings were used to provide Plan 1 retirement improvements, including the Age 70 COLA, which was superseded in 1996 by the Plan 1 Uniform COLA. In the year 2000 retirement improvement was initiated for Plan 2 and 3 members by reducing the early retirement reduction factor to 3% for those members with 30 years service. The greatest amount of the savings was, however, subsumed within the state's general fund budget.

The two major pieces of retirement legislation that included gain sharing were passed during the 1998 session. These were ESHB 2491, dealing with Plan 1, and SSB 6306, the SERS/TRS Plan 3 bill. In the 2000 session SB 6530 provided gain sharing for PERS 3. The gain-sharing formula is somewhat similar for all these plans in that gain sharing occurred and is calculated in even-numbered years whenever the compound average rate of investment

returns on the pension funds over the previous four years exceeds 10%. Of the total gain-sharing amount above 10%, only half goes to the members in both Plans 1 and 3. For Plan 1, the other half is used to accelerate the amortization for the PERS and TRS Plan 1 unfunded liability. With the SIB gaining four-year average earnings of 13.7% through 1997, half of the TRS and PERS Plan 1 gain was estimated at \$290 million, and for TRS Plan 3, the distribution was \$28.4 million. The gain sharing for Plan 1 was designated for a 10¢ increase to the Uniform COLA and to fund the a “pop-up.” The gain sharing in Plan 3 goes to the members employee contribution account and was determined by the years of service the member has completed. The average four-year earnings through 1999 were 16.56%. The half over 10% allowed \$634 million to increase the Plan 1 COLA by 28¢ effective January 1, 2000 and a distribution of \$72.9 million was made to TRS 3 members’ accounts (\$2051 average per member).

SSB 6306 allowed classified school employees to move to a new School Employees’ Retirement Service (SERS) Plan 3 in the year 2000. It also provides gain sharing for these members. Remaining Plan 2 members, both TRS and PERS, receive no gain sharing. With the dip in the national economy and the fall of some of the investments within the SIB, there was no gain sharing in 2001.

#### **WASA/AWSP Position**

- WASA/AWSP recommends annualizing the calculation of gain sharing. Provide gain sharing for TRS and PERS Plan 2 members.
- Allow for retiree discretion in how funds are distributed so that consideration could be given to using the funds for a 13<sup>th</sup> check.
- Decrease the 10% earning threshold to 8.0%

#### **CONTRIBUTION RATES**

##### **Make changes to the process of setting contribution rates.**

Background: The Pension Funding Council (PFC), which was established in 1998, was directed in statute to make changes to state contribution rates every two years for the next biennium consistent with actuarial assumptions. During the 1999 legislative session, contribution rates were dropped significantly in the 1999-2001 budget, saving the state’s general fund approximately \$350 million. Instead of waiting for the next biennium’s rate adjustment, the 2000 legislative session budget writers reduced contribution rates again for an additional \$79.6 million general funds savings. It appeared that much of the extraordinary earnings from the past few years were being wiped away in order to help address short-term general fund budget problems. The only two improvements made to TRS and PERS/SERS plans included every other year gain sharing (see gain sharing issue in this position paper) that was adopted in 1998 and SB 6530 (Plan 2 and 3 ERRF) whose cost during the 1999-01 biennium starting September 1, 2000 was \$38.8 million. These were important improvements made in the last three years, however, their impact on effecting contribution rates was not as significant as the rate decreases caused by extraordinary earnings, thus providing savings to the state general fund.

During September 2000 the PFC adopted recommendations that contribution rates be reduced again. That projected savings for the general fund – state (GFS) during the 2001-03 biennium

amounted to \$109 million. During the 2001 session rates were reduced even further, saving the state an additional \$192M for a total of \$301M. Employer rates for the TRS members will have moved from 11.75% starting the 1997-99 biennium to 1.05% starting April 1, 2002.

Contribution rates for most of the TRS member employees are either set in statute (Plan 1 at 6%) or is set by the member (Plan 3). The only TRS members that have gained from contribution reductions are approximately 14% of the members that have remained in Plan 2 with rates going from 6.03% on September 1, 1998 to 0.15% on April 1, 2002. TRS Plan 1 members are presently paying more than the employer (state) even though much of the state's contribution is attributed to the underfunding of the system by the state during the 1970s and 1980s. During the 2001 session ESSB 6167 moved the amortization of Plan 1 unfunded liability back to 2024 from 2017.

During the 2003 session rates were expected to rise based on pension Funding Council recommendations. The legislature made yet another change by adopting a new smoothing method that varies from the long-term SIB investment rate of return assumption recognized over a period up to 8 years rather than 4. This method saved the general fund \$87.7 million.

#### **WASA/AWSP Position**

- Make changes to the pension setting process so that rates become more stable over a period of years.
- Amortization of Plan 1 unfunded liability should be accelerated and shortened not lengthened.

#### **Retirement Governance**

**Give active and retired public employees further opportunity beyond what was accomplished in SHB 1204 in helping direct the oversight of their pension system.**

Background: During the 2003 legislative session significant steps were taken to improve the opportunity for active and retired public employees to participate in the governance of their pension system. The Joint Committee on Pension Policy, which was made up of sixteen legislators, was dropped and a new twenty member Select Committee on Pension Policy (SCPP) was directed to be put in its place. This new SCPP group is to be composed of eight legislators, four employers, the directors of OFM and DRS, and four actives and two retired public employees.

WASA/AWSP wish to see further involvement of active and retired public employees in the governance of their pension system. WASA/AWSP wants increased representation of active and retired public employees within the SCPP; wants the SCPP to set contribution rates rather than the Pension Funding Council (PFC); and wants "Trust Fund" status for not only investment policies of the State Investment Board, but also for the overall oversight of the pension funds by a more balanced pension board.

#### **WASA/AWSP Position**

- Increase representation of active and retired public employees within the SCPP.
- Have the SCPP set contribution rates rather than the PFC.
- Give overall "Trust Fund" status to the state's public employee pension funds.

## **ACTIVE EMPLOYEE HEALTH CARE**

### **Link the K-12 and state employee health benefit state allocation.**

Background: After SHB 2536 was passed in 2002, the general fund budget delinked the health care allocation between state and school employees and increased the state allocation for state employees to \$482.38, whereas, school employees only received a small increase to \$457.07, a \$25.31 difference in 2002-03. For the 2003-04 school year the difference remains at \$23.58 with state employees receiving \$504.89 and school employees receiving \$481.31.

### **WASA/AWSP Position**

- Increase the state health benefit allocation to school districts so that allocation rates are linked with state employees. Increase the state health benefit allocation to school districts so that allocation rates are linked with state employees.

## **RETIREE HEALTH CARE**

### **Keep K-12 retiree health care benefit premium rates at an affordable level by continuing to fund the retiree health subsidy at levels that keep up with rising health insurance costs. Consider the option of allowing a new “open window” to allow additional K-12 retirees access to enroll in HCA health plans.**

Background: During the 1993 legislative session, K-12 retirees were given the option of being covered with health care insurance under plans provided by the state’s Health Care Authority (HCA) through the Public Employee Benefits Board (PEBB). A health insurance subsidy has been provided to K-12 retirees that join the PEBB sponsored plans. This subsidy has changed since 1993 with those under the age of 65 now receiving an implicit subsidy by being placed in a large pool with state employees. The K-12 Medicare eligible employees still receive an explicit subsidy since they are in a smaller separate insurance pool. The amount of the K-12 Medicare eligible retiree subsidy is \$102.35 per month for calendar year 2004. This subsidy is funded by a “carve out” from school district active employees. The amount sent to the HCA by school districts is \$42.76 per month per employee for 2003-2004.

Medical insurance rates for plans offered through the PEBB have been rising significantly. Rates for active public employees have been rising between 10 to 20% since 1998. Average rates for Medicare eligible retirees have risen even higher than active employees. All plans have higher co-pays for prescription drugs and other medical services.

In 1996, the state’s supplemental operating budget directed the HCA to study options for expanding both state and district retiree access to PEBB health plans and the fiscal impacts of these options. On March 3, 1998, the HCA completed a study for the Governor and the Legislature. The study outlined the cost of changing eligibility policies that might expand retiree access to the PEBB plans. HB 1128/SB 5446 was introduced during the 2001 legislative session.

These bills provided an “open window” for enrollment in PEBB health plans; however, the cost of the bills stopped their passage in committee. The HCA has been exploring the possibility of allowing access for these non-enrolled retirees if they pay the state subsidy amount plus the premium amount.

Plan 2 members do not have access to PEBB retiree health benefits unless they are retired. Many Plan 2 members, who are not eligible for full retirement till age 65, will decide to separate from

service before starting to draw their pension in order to not take significant reduction in their pension through early retirement provisions. We recommend provision identical to Plan 3 for Plan 2 members that allows them access to PEBB plans upon separation at age 55 with at least 10 years of service. HB 1505 and SB 5525 were introduced during the 2003 session to implement such access, however these bills were not acted upon.

#### **WASA/AWSP Position**

- Keep health care benefits at an affordable level for K-12 retirees. The health insurance subsidy for K-12 retirees should keep up with the inflation of rates charged by insurance plans.
- Make available an open window for K-12 retirees to gain access to PEBB health plans.
- Allow Plan 2 members access to PEBB retiree health benefits upon separation at age 55 with at least 10 years of service.

***Facilitated by John Kvamme, WASA/AWSP Consultant:  
Original version adopted by WASA Board, October 11, 1997  
Update August 25, 1999***

***Update July 10, 2000***  
***Update September 8, 2000\***  
***Update September 20, 2000***  
***Update September 25, 2001***  
***Update June 10, 2002***  
***Update July29, 2003***  
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Washington Association of School Business Officials  
Washington Association of Maintenance & Operations Administrators

August 11, 2003

**TO:** Select Committee on Pension Policy  
Matt Smith, State Actuary Office

**FROM:** Dr. Mitch Denning, AEA Legislative Consultant  
Patty Metropulos, WASBO Legislative Affairs Committee Co-Chair  
Matthew Benuska, WASBO Legislative Affairs Committee Co-Chair  
Shirley Fairbanks, WAMOA President 2003-04

**RE:** Proposed Legislation – As Paid vs. As Earned DRS Reporting – To Be Studied by the  
Select Committee during the 2003 Interim Session

**Proposal:** Authorizes school districts to optionally report income to the state on an “as paid” basis for retirement purposes.

**Background:** There are significant additional costs to school districts when upgrading and/or developing new data reporting systems to meet the statutory requirements that data be reported on a “time earned” basis to the Department of Retirement System. Most standard data systems for school districts are developed using a “time paid” basis. As an example, the Internal Revenue Service requires reporting of earnings on a “time paid” basis. There are significant additional costs to school districts when updating and modifying their data systems in order to accommodate the further development needed to meet the retirement system “as earned” reporting process. Significant additional costs can be avoided by establishing an option for school districts to report on a “time paid” basis rather than “as earned”.

Providing such an option will allow school districts to continue using the current data reporting systems which have already been developed to meet the “time earned” requirement, and when upgrading, consider utilizing the more standard programs at significantly less cost which use the “time paid” basis of reporting.

This option would particularly benefit school districts because of the large number of teachers and school-year classified employees who earn their salary during the first 10.5 months, but are paid over 12 months. Current statutes require complex reporting based on changing work schedules each month.

This change would require the DRS to make some technical reporting changes, however it should not require extensive retirement policy change.

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It would not be the intent of this act to change or enhance retirement benefits to members, or increase retirement benefits cost, nor to change the accountability of the employer. The final average compensation calculation for benefit determination would continue to be based on the current "time earned" basis, which school districts can provide at the time a member enters the retirement process.

**WASBO/WASA Position**

- Allow school districts, on an optional basis, to report income to DRS on an "as paid" basis rather than "as earned".

WASBO and WASA are committed to working with the SCPP to study the issue, and support this as one of the SCPP legislative proposals for the 2004 legislative session.



## Memorandum

To: Matt Smith, Office of the State Actuary (OSA)

From: Robert Warnecke, Washington State School Retirees Association (WSSRA)

Date: Wednesday, August 13, 2003

Re: WSSRA Legislative Priorities

Now that the Select Committee on Pension Policy (SCPP) has been formed and their first meeting of the Interim scheduled, I would like to put forth two important issues of priority to WSSRA for consideration by the SCPP this Interim.

1. **RELAXING GAIN SHARING 'SAFETY NET' PROVISIONS** – The Gain Sharing "trigger" would be lowered from 10% to 8% to coincide with the assumed rate of return on pension funds. This represents a "WIN / WIN" policy proposal. The occasion for Plan 1 and Plan 3 Gain Sharing disbursements would occur more frequently, and there would be little or no additional cost to the State General Fund and local government employers.
2. **RECOVERY OF LOST PURCHASING POWER** - A "catch-up" COLA for those retired the longest would help recover the purchasing power which has been lost due to stagnating benefits. As you know, OSA staff has been working with representatives of WSSRA to develop a proposal which provides an appropriate level of "catch-up" benefit for Plan 1 career retirees which contains costs to the highest extent possible.

The above listed issues are only two among five WSSRA "Hot Pursuit Items," but represent what WSSRA views as our top priorities for SCPP consideration during the '03 Interim and '04 Session, the most doable, and those which most urgently need to be addressed. Attached for your information are WSSRA's remaining priorities as identified in our 2003-04 Legislative Goals and "Hot Pursuit Items."

Your conveyance of this memorandum to SCPP members prior to their meeting on the 19th would be very much appreciated. Thank you for your ongoing assistance and expertise.



# Washington State School Retirees' Association



## LEGISLATIVE GOALS ~ 2003-2004

**GOAL: Provide an adequate pension and a reasonable retirement age.**

### Objectives:

- ❖ Enhance Cost-of-Living Adjustments (COLAs) for all retirees:
  - ❖ Recover lost purchasing power of those retired the longest.
  - ❖ Reduce COLA eligibility age for Plan 1 retirees.
  - ❖ Annualization of Gain Sharing with disbursement of funds via a 13<sup>th</sup> Check.
  - ❖ Reduce the 10% activation on Gain Sharing to 8%.
- ❖ Establish a Washington state pension board – an independent governing board to manage all of the public retirement systems of the State of Washington. The pension board members shall serve in a trustee capacity and with fiduciary responsibility in administering the assets of the public retirement systems.
- ❖ Stop reductions in contribution rates to the Pension Trust Fund by the Washington State Legislature.
- ❖ Reduce the normal retirement age for TRS/PERS/SERS Plan 2/3 members below the age of 65 without penalty.

**GOAL: Improve the general welfare of current and future school retirees.**

### Objectives:

- ❖ Support legislative action of other senior citizen and professional organizations when consistent with WSSRA goals.
- ❖ WSSRA's Legislative Committee will support the efforts of WSSRA's Health Services Committee to achieve an IRS "pre-tax" status of health insurance deductions from retirees' pension benefits.

**GOAL: Improve health insurance benefits and secure lower premiums for retirees.**

### Objectives:

- ❖ Obtain a permanent PEBB Medicare eligible retiree subsidy which keeps pace with medical inflation rates.
- ❖ Strengthen Public Employee Benefits Board (PEBB) sponsored health insurance benefits such as: prescription drugs and long-term care.
- ❖ Enactment of statute providing a "second chance" PEBB enrollment window for those who missed their one-time enrollment chance.

## **HOT PURSUIT ITEMS ~ 2003-04**

### **RELAXING GAIN SHARING 'SAFETY NET' PROVISIONS**

Gain sharing "trigger" would be lowered from 10% to 8% to coincide with the assumed rate of return on pension funds

### **RECOVERY OF LOST PURCHASING POWER**

A "catch-up" COLA for those retired the longest would help recover the purchasing power which has been lost due to stagnating benefits

### **PENSION GOVERNANCE**

Further improvements to the governance of Washington State's pension systems such as establishment of trust status/fiduciary responsibility of those with governance duties, authority to set funding of pension systems, etc., are needed

### **PEBB MEDICARE SUBSIDY PROTECTION**

A "permanent fix" is needed to ensure that the Public Employees Benefits Board (PEBB) Medicare eligible retiree subsidy keeps pace with rates of medical inflation

### **PEBB 2nd CHANCE OPEN WINDOW**

A 2nd chance enrollment opportunity would be provided to those retirees currently locked out of PEBB sponsored health plans

Other items may be added to or deleted from this list as legislative activity dictates and in keeping with WSSRA's 2003-04 Legislative Goals.  
or more information, contact WSSRA at 1-800-544-5219, 360-413-5496, 4726 Pacific Avenue SE, Lacey, WA 98503-1216, [www.wssra.org](http://www.wssra.org).